

**HOUSING AUTHORITY OF OAKDALE****AUDITED FINANCIAL STATEMENTS  
AND SUPPLEMENTAL DATA****TWELVE MONTHS ENDED SEPTEMBER 30, 2008**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 7/15/09

**Mike Estes, P.C.**  
A Professional Accounting Corporation

## TABLE OF CONTENTS

	<u>EXHIBIT</u>	<u>PAGE</u>
Independent Auditor's Report		1 – 2
Management Discussion & Analysis		3 – 9
Basic Financial Statements		
Balance Sheet	A	10
Statement of Revenues, Expenses, and Changes in Fund Net Assets	B	11
Statement of Cash Flows	C	12 – 13
Notes to the Basic Financial Statements		14 – 22
Index		14
Notes to Financial Statements		15– 22
 <i><u>Other Reports Required by Government Auditing Standards And by Office of Management and Budget (OMB) Circular A-133</u></i>		
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		23 – 24
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133		25 – 26
Schedule of Findings and Questioned Costs		27 – 30
Summary Schedule of Prior Audit Findings		31
Schedule of Management Letter Items		32 – 34
 <i><u>Supplementary Information</u></i>		
Statement of Modernization Costs - Uncompleted	E(1)	35
Schedule of Expenditures of Federal Awards		36
Notes to the Schedule of Expenditures of Federal Awards		37

**MIKE ESTES, P.C.**  
A PROFESSIONAL ACCOUNTING CORPORATION  
4200 AIRPORT FREEWAY - SUITE 100  
FORT WORTH, TEXAS 76117

---

(817) 831-3553  
METRO (817) 654-4063  
(817) 831-3560  
e-mail. [mestespc@swbell.net](mailto:mestespc@swbell.net)

MEMBER OF THE  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC  
ACCOUNTANTS  
and the  
AICPA GOVERNMENTAL  
AUDIT QUALITY CENTER

MIKE ESTES, CPA

Independent Auditor's Report

Board of Commissioners  
Housing Authority of Oakdale  
Oakdale, Louisiana

We have audited the accompanying financial statements of each major fund of the Housing Authority of Oakdale, Louisiana as of and for the year ended September 30, 2008, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Housing Authority of Oakdale, Louisiana's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund of the Housing Authority of Oakdale, Louisiana, as of September 30, 2008, and the respective changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2009, on our consideration of the Housing Authority of Oakdale, Louisiana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Housing Authority of Oakdale, Louisiana's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of the Housing Authority of Oakdale, Louisiana. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The accompanying information identified in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Mike Estes, P.C.  
Fort Worth, Texas  
June 24, 2009

**HOUSING AUTHORITY OF OAKDAKE, LA**

**REQUIRED SUPPLEMENTAL INFORMATION**

**MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)**

**September 30, 2008**

---

Housing Authority of Oakdale, LA  
Management's Discussion and Analysis (MD&A)  
September 30, 2008

---

The management of Public Housing Authority of Oakdale, Louisiana presents the following discussion and analysis (MD&A) of the Housing Authority's financial activities for the fiscal year ending September 30, 2008. This represents an overview of financial information. Please read this discussion and analysis in conjunction with the Authority's included audited financial statements.

**FINANCIAL HIGHLIGHTS**

- The primary source of funding for these activities continues to be subsidies and grants from the Department of Housing and Urban Development (HUD), whereas tenant rentals provide a secondary but also significant source of funding.
- The Housing Authority's assets exceeded its liabilities by \$2,623,915 at the close of the fiscal year ended 2008.
  - ✓ Of this amount \$2,338,010 represents a restriction equal to the net amount invested in land, building, furnishings, leasehold improvements, equipment, and construction in progress.
  - ✓ Also of this amount, \$28,719 of net assets are restricted for Housing Assistance Payments
  - ✓ The remainder of \$257,186 of unrestricted assets could be used to meet the Housing Authority's ongoing obligations to citizens and creditors. As a measure of financial strength, this amount equals 22% of the total operating expenses of \$1,154,257 for the fiscal year 2008, which means the Authority might be able to operate about 2.7 months using the unrestricted assets alone, which compares unfavorably with 3.2 months in the prior fiscal year.
- The Housing Authority's total net assets increased by \$77,817, a 3% change from the prior fiscal year 2007. This increase is attributable to significant increases in Federal grants for both operations and capital improvements, described in more detail below.
- The increase in net assets was accompanied by a decrease in cash and cash equivalents of \$50,756. Capital outlays of \$260,351 exceed federal capital grants of \$181,234. Interest income was \$7,302. \$27,343 was transferred to investments. Rental, other, and federal grants receipts exceeded cash payments to vendors, employees and Section 8 landlords by \$48,402.
- The Authority spent \$116,048 on capital asset additions and \$144,304 on construction in progress during the current fiscal year.
- These changes led to an increase in total assets by \$89,003 and an increase in total liabilities by \$11,186. As related measure of financial health, there are still over \$5.11 of current assets covering each dollar of total current and long-term liabilities, which compares unfavorably with \$5.97 covering the prior fiscal year's liabilities.
- The Housing Authority continues to operate without the need for debt borrowing.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

This MD&A is intended to serve as an introduction to the Housing Authority's basic financial statements. The Housing Authority is a special-purpose government engaged in business-type activities. Accordingly, only fund financial statements are presented as the basic financial statements, comprised of two components: (1) fund financial statements and (2) a series of notes to the financial statements. These provide information about the activities of the Housing Authority as a whole and present a longer-term view of the Housing Authority's finances. This report also contains other supplemental information in addition to the basic financial statements themselves demonstrating how projects funded by HUD have been completed, and whether there are inadequacies in the Authority's internal controls.

### **Reporting on the Housing Authority as a Whole**

One of the most important questions asked about the Authority's finances is, "Is the Housing Authority as a whole better off, or worse off, as a result of the achievements of fiscal year 2008?" The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets report information about the Housing Authority as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

### **Fund Financial Statements**

All of the funds of the Housing Authority are reported as proprietary funds. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Housing Authority, like other enterprises operated by state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The Housing Authority's financial statements report its net assets and changes in them. One can think of the Housing Authority's net assets – the difference between assets and liabilities – as one way to measure the Authority's financial health, or financial position. Over time, increases and decreases in the Authority's net assets are one indicator of whether its financial health is improving or deteriorating. One will need to consider other non-financial factors, however, such as the changes in the Authority's occupancy levels or its legal obligations to HUD, to assess the overall health of the Housing Authority.

## **USING THIS ANNUAL REPORT**

The Housing Authority's annual report consists of financial statements that show combined information about the Housing Authority's most significant programs:

- Low Rent Public Housing
- Housing Choice Vouchers
- Public Housing Capital Fund Program

The Housing Authority's auditors provided assurance in their independent auditors' report with which this MD&A is included, that the basic financial statements are fairly stated. The auditors provide varying degrees of assurance regarding the other information included in this report. A user of this report should read the independent auditors' report carefully to determine the level of assurance provided for each of the other parts of this report.

---

Housing Authority of Oakdale, LA  
Management's Discussion and Analysis (MD&A)  
September 30, 2008

---

**Reporting the Housing Authority's Most Significant Funds**

The Housing Authority's financial statements provide detailed information about the most significant funds. Some funds are required to be established by the Department of Housing and Urban Development (HUD). However, the Housing Authority establishes other funds to help it control and manage money for particular purposes, or to show that it is meeting legal responsibilities for using grants and other money.

The Housing Authority's enterprise funds use the following accounting approach for Proprietary funds: All of the Housing Authority's services are reported in enterprise funds. The focus of proprietary funds is on income measurement, which, together with the maintenance of net assets, is an important financial indicator.

**FINANCIAL ANALYSIS**

The Housing Authority's net assets were \$2,623,915 as of September 30, 2008. Of this amount, \$2,623,915 was invested in capital assets, and \$257,186 was unrestricted. There were \$28,719 in cash restricted for Housing Assistance Payments. Also, there were \$82,002 of general net assets restricted for Housing Assistance Payments.

**CONDENSED FINANCIAL STATEMENTS**

<b>Condensed Balance Sheet</b>		
<b>As of September 30, 2008</b>		
	<b><u>2008</u></b>	<b><u>2007</u></b>
<b>ASSETS</b>		
Current assets	\$ 355,302	\$ 347,717
Capital assets, net of depreciation	2,338,010	2,256,592
Total assets	<u>2,693,312</u>	<u>2,604,309</u>
<b>LIABILITIES</b>		
Current liabilities	47,212	46,287
Non-current liabilities	22,185	11,924
Total liabilities	<u>69,397</u>	<u>58,211</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of depreciation	2,338,010	2,256,592
Net assets restricted for Housing Assistance Payments	28,719	0
Unrestricted net assets	257,186	289,506
Total net assets	<u>2,623,915</u>	<u>2,546,098</u>
Total liabilities and net assets	<u>2,693,312</u>	<u>2,604,309</u>



Housing Authority of Oakdale, LA  
Management's Discussion and Analysis (MD&A)  
September 30, 2008

**CONDENSED FINANCIAL STATEMENTS (Continued)**

The net assets of these funds increased by \$77,817 or by 3%, from those of fiscal year 2007, as explained below. In the narrative that follows, the detail factors causing this change are discussed:

**Condensed Statement of Revenues, Expenses, and Changes in Fund Net Assets  
Fiscal Year Ended September 30, 2008**

	2008	2007
<b>OPERATING REVENUES</b>		
Dwelling rental	\$ 271,336	\$ 238,488
Governmental operating grants	702,727	637,035
Other	55,415	57,771
Total Operating Revenues	1,029,478	933,294
<b>OPERATING EXPENSES</b>		
Administration	212,465	242,848
Tenant services	0	45
Utilities	49,942	40,704
Ordinary maintenance & operations	235,135	224,434
General expenses	125,264	82,554
Depreciation	178,933	167,586
Extraordinary maintenance	1,650	0
Housing assistance payments	336,955	317,098
Total Operating Expenses	1,140,344	1,075,269
Income (loss) from Operations	(110,866)	(141,975)
Non Operating Revenues (Expenses)		
Interest earnings	7,449	14,590
Gain on disposal of assets	0	2,433
Total Non-Operating Revenues (Expenses)	7,449	17,023
Income (loss) before contribution	(103,417)	(124,952)
Capital Contribution	181,234	224,532
Change in net assets	77,817	99,580
Total net assets - beginning	2,546,098	2,446,518
Total net assets - ending	\$ 2,623,915	\$ 2,546,098

#### EXPLANATIONS OF FINANCIAL ANALYSIS

Compared with the prior fiscal year, total operating, non-operating revenues, and capital grants increased \$43,312, or by 4%, from a combination of larger offsetting factors. Reasons for most of this change are listed below in order of impact from greatest to least:

- Federal revenues from HUD for operations increased by \$65,692, or by 10% from that of the prior fiscal year. The determination of operating grants is based in part upon operations performance of prior years. This amount fluctuates from year-to-year because of the complexities of the funding formula HUD employs. Generally, this formula calculates an allowable expense level adjusted for inflation, occupancy, and other factors, and then uses this final result as a basis for determining the grant amount. The amount of rent subsidy received from HUD depends upon an eligibility scale of each tenant. There was an increase in the number of eligible tenants receiving subsidies, so Housing Assistance Grants increased accordingly, lowering the overall total.
- Federal Capital Funds from HUD decreased by \$43,298, or by 19% from that of the prior fiscal year. The Housing Authority was still in the process of completing projects funded from grants by HUD for fiscal years 2007 through 2008, and submitted a new grant during fiscal year 2009.
- Tenant rental revenues increased by \$32,848, or by 14%, and because the amount of rent each tenant pays is based on a sliding scale of their personal income. Some tenants' personal incomes increased, so rent revenue from these tenants increased accordingly, raising the overall total.
- Interest income decreased by \$7,141, or by 49% from that of the prior fiscal year. The Housing Authority transferred \$27,343 into investments during the current fiscal year.
- Total other non-operating revenue decreased by \$2,356 or by 4% from that of the prior fiscal year.

Compared with the prior fiscal year, total operating expenses increased \$65,075, or by 6%, but this also was made up of a combination of offsetting factors. Again, reasons for most of this change are listed below in order of impact from greatest to least:

- General Expenses increased by \$42,710 or by 51% from that of the prior fiscal year. Primarily this is because compensated absences increased \$31,156. Insurance premiums increased by \$6,654, since property and casualty insurance premiums increased. Also, payments in lieu of taxes (PILOT) increased by \$2,361, or by 12%. PILOT is calculated as a percentage of rent (which increased by 14%) minus utilities (which increased 23%), and therefore changed proportionately to the changes in each of these. Uncollectible rents from vacated units increased by \$2,539, or by 53%, because these changed roughly proportional to rent, which increased by 14%.
- Housing Assistance Payments to landlords increased by \$19,857, or by 6% from that of the prior fiscal year, because there was an increase in the number of tenants qualifying for subsidy during the year. Consequently, revenues from HUD for these subsidies increased by \$28,110.
- Maintenance and repairs increased by \$10,701, or by 5% from that of the prior fiscal year, due to several major factors: Repair staff wages increased by \$3,364, or by 5%, but related employee benefit contributions decreased by \$2,364, or by 7%. Also, materials used decreased by \$1,263, or by 3%, however contract labor costs increased by \$10,963, or by 14%.
- Depreciation expense increased by \$11,347, or by 7% from that of the prior fiscal year, because there was an increase in capital assets by \$254,053.
- Utilities Expense increased by \$9,238, or by 23% from that of the prior fiscal year, because water cost increased by \$5,847, and electricity cost increased by \$3,660 but gas cost decreased by \$11. Finally, other utilities expense (such as garbage, sewage, and waste removal) decreased by \$257, or by 59%.

---

Housing Authority of Oakdale, LA  
Management's Discussion and Analysis (MD&A)  
September 30, 2008

---

- Administrative expenses decreased \$30,383. Salaries and employee benefit contributions decreased \$23,730. Office contract help decreased \$4,905. Compensated absences increased \$8,292. The net remaining deductions came from accounting, auditing, telephone, travel, computer support and supplies.

#### **CAPITAL ASSET AND DEBT ADMINISTRATION**

##### **Capital Assets**

At September 30, 2008, the Housing Authority had a total cost of \$7,711,595 invested in a broad range of assets and construction in progress from projects funded in 2007 through 2008, listed below. This amount, not including depreciation, represents increases of \$254,035 from the prior year. More detailed information about capital assets appears in the notes to the financial statements.

**Capital Assets, Net of Accumulated Depreciation  
As of September 30, 2008**

	<u>2008</u>	<u>2007</u>
Land	\$ 181,400	\$ 181,400
Construction in progress	148,204	3,900
Buildings	1,749,459	1,813,015
Leasehold improvements	181,469	197,264
Furniture and equipment	77,478	61,013
Total	<u>2,338,010</u>	<u>2,256,592</u>

As of the end of the 2008 fiscal year, the Authority is still in the process of completing HUD grants of \$438,513 obtained during 2007 through 2008 fiscal years. A total remainder of \$222,655 will be received and \$222,480 will be spent for completing these projects during fiscal year 2009. An ARRA grant, part of the economic stimulus passed by Congress has been awarded of \$274,595. The terms are similar to a Capital Fund, but more restrictive.

##### **Debt**

Non-current liabilities also include accrued annual vacation and sick leave due to employees. The Housing Authority has not incurred any mortgages, leases, or bond indentures for financing capital assets or operations.

#### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The Housing Authority is primarily dependent upon HUD for the funding of operations; therefore, the Housing Authority is affected more by Federal budget than by local economic conditions. The capital budgets for the 2009 fiscal year have already been submitted to HUD for approval and no major changes are expected.

The Capital fund programs are multiple year budgets and have remained relatively stable. Capital Funds are used for the modernization of public housing properties including administrative fees involved in the modernization.

#### **CONTACTING THE HOUSING AUTHORITY'S FINANCIAL MANAGEMENT**

Our financial report is designed to provide our citizens, investors, and creditors with a general overview of the Housing Authority's finances, and to show the Housing Authority's accountability for the money it receives. If you have questions about this report, or wish to request additional financial information, contact Tina Johnson, at Public Housing Authority of Oakdale, Louisiana; P.O. Box BQ; Oakdale, LA 71463.

HOUSING AUTHORITY OF OAKDALE  
BALANCE SHEET  
SEPTEMBER 30, 2008

	General	Housing Choice Vouchers	Total
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 57,050	\$ 47,840	\$ 104,890
Investments	50,172	52,020	102,192
Accounts receivable net	70,733	397	71,130
Interest receivable	422	1,234	1,656
Interfund balances	12,663	(12,663)	0
Prepaid items and other assets	32,862	1,170	34,032
Restricted assets – cash and cash equivalents	12,683	28,719	41,402
Total Current Assets	<u>236,585</u>	<u>118,717</u>	<u>355,302</u>
Capital Assets, net			
Land and other non-depreciated assets	181,400		181,400
Other capital assets - net of depreciation	2,155,970	640	2,156,610
Total Capital Assets, net	<u>2,337,370</u>	<u>640</u>	<u>2,338,010</u>
Total Assets	<u>\$ 2,573,955</u>	<u>\$ 119,357</u>	<u>\$ 2,693,312</u>
<b>LIABILITIES</b>			
Current Liabilities			
Accounts payable	\$ 6,873	\$ 270	\$ 7,143
Deferred revenue	125	0	125
Compensated absences payable	4,936	187	5,123
Accrued PILOT	22,139	0	22,139
Deposits due others	12,682	0	12,682
Total Current Liabilities	<u>46,755</u>	<u>457</u>	<u>47,212</u>
Noncurrent Liabilities			
Compensated absences payable	22,185	0	22,185
Total Liabilities	<u>68,940</u>	<u>457</u>	<u>69,397</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	2,337,370	640	2,338,010
Restricted	0	28,719	28,719
Unrestricted	167,645	89,541	257,186
Net Assets	<u>2,505,015</u>	<u>118,900</u>	<u>2,623,915</u>
Total Liabilities and Net Assets	<u>\$ 2,573,955</u>	<u>\$ 119,357</u>	<u>\$ 2,693,312</u>

The Notes to the Financial Statements are an integral part of these statements.

## EXHIBIT B

HOUSING AUTHORITY OF OAKDALE  
STATEMENT OF REVENUES,  
EXPENSES AND CHANGES IN FUND NET ASSETS  
YEAR ENDED SEPTEMBER 30, 2008

	General	Housing Choice Voucher	Total
<b>OPERATING REVENUES</b>			
Dwelling rental	\$ 271,336	\$ 0	\$ 271,336
Governmental operating grants	310,026	392,701	702,727
Other	55,415	0	55,415
Total Operating Revenues	636,777	392,701	1,029,478
<b>OPERATING EXPENSES</b>			
Administration	158,719	53,746	212,465
Utilities	49,942	0	49,942
Ordinary maintenance & operations	235,135	0	235,135
General expenses	118,637	6,627	125,264
Depreciation	178,613	320	178,933
Extraordinary maintenance	1,650	0	1,650
Housing assistance payments	0	336,955	336,955
Total Operating Expenses	742,696	397,648	1,140,344
Income (loss) from Operations	(105,919)	(4,947)	(110,866)
Non Operating Revenues (Expenses)			
Interest earnings	3,065	4,384	7,449
Total Non-Operating Revenues (Expenses)	3,065	4,384	7,449
Income (loss) before contribution	(102,854)	(563)	(103,417)
Capital Contribution	181,234	0	181,234
Equity Transfer	(4,925)	4,925	0
Change in net assets	73,455	4,362	77,817
Total net assets - beginning	2,431,560	114,538	2,546,098
Total net assets - ending	\$ 2,505,015	\$ 118,900	\$ 2,623,915

The Notes to the Financial Statements are an integral part of these statements.

HOUSING AUTHORITY OF OAKDALE  
STATEMENT OF CASH FLOWS  
YEAR ENDED SEPTEMBER 30, 2008

	General	Housing Choice Voucher	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Rental receipts	\$ 266,209	\$ 0	\$ 266,209
Other receipts	128,959	(71,320)	57,639
Federal grants	283,118	392,701	675,819
Payments to vendors	(321,205)	(20,355)	(341,560)
Payments to employees – net	(227,596)	(45,154)	(272,750)
Payments to private landlords	0	(336,955)	(336,955)
Net cash provided (used) by operating activities	129,485	(81,083)	48,402
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>			
Operating transfers (out) in	(4,925)	4,925	0
Net cash provided (used) by non- capital financing activities	(4,925)	4,925	0
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchase of capital assets	(260,351)	0	(260,351)
Federal Capital Grants	181,234	0	181,234
Net cash provided (used) by capital and related financing activities	(79,117)	0	(79,117)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest income	2,778	4,524	7,302
Purchase of investments	(25,260)	(2,083)	(27,343)
Net cash provided (used) by investing activities	(22,482)	2,441	(20,041)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	22,961	(73,717)	(50,756)
<b>CASH AND CASH EQUIVALENTS</b>			
Beginning of Fiscal Year	46,772	150,276	197,048
<b>CASH AND CASH EQUIVALENTS</b>			
End of Fiscal Year	\$ 69,733	76,559	146,292

Continued

## EXHIBIT C

HOUSING AUTHORITY OF OAKDALE  
STATEMENT OF CASH FLOWS  
YEAR ENDED SEPTEMBER 30, 2008

	General	Housing Choice Voucher	Total
	<u>          </u>	<u>          </u>	<u>          </u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
Operating income (loss)	\$ (105,919)	\$ (4,947)	\$ (110,866)
Adjustment to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation Expense	178,613	320	178,933
Provision of uncollectible accounts	(819)	0	(819)
Change in assets and liabilities:			
Tenants receivables	3,044	0	3,044
Receivables - HUD	(24,547)	0	(24,547)
Prepaid items	(5,165)	(481)	(5,646)
Account payables	3,339	150	3,489
Accrued comp., payroll taxes	9,744	(4,805)	4,939
Security Deposits	260	0	260
Accrued expenses	12	(397)	(385)
Due to other funds	70,923	(70,923)	0
	<u>          </u>	<u>          </u>	<u>          </u>
Net cash provided (used) by operations	\$ 129,485	\$ (81,083)	\$ 48,402
	<u>          </u>	<u>          </u>	<u>          </u>

Concluded

The Notes to the Financial Statements are an integral part of these statements.

HOUSING AUTHORITY OF OAKDALE  
NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2008

INDEX

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES .....	15
A. REPORTING ENTITY .....	15
B. FUNDS .....	16
C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING .....	16
D. CASH AND CASH EQUIVALENTS .....	17
E. INVESTMENTS .....	17
F. SHORT-TERM INTERFUND RECEIVABLES/PAYABLES .....	17
G. INVENTORY .....	17
H. PREPAID ITEMS .....	17
I. CAPITAL ASSETS .....	18
J. DEFERRED REVENUES .....	18
K. COMPENSATED ABSENCES .....	18
L. RESTRICTED NET ASSETS .....	18
M. INTERFUND ACTIVITY .....	18
N. USE OF ESTIMATES .....	19
NOTE 2 – DEPOSITS AND INVESTMENTS .....	19
NOTE 3 – ACCOUNTS RECEIVABLE .....	19
NOTE 4 – CAPITAL ASSETS .....	20
NOTE 5 – INTERFUND RECEIVABLES AND PAYABLES .....	20
NOTE 6 – ACCOUNTS PAYABLE .....	20
NOTE 7 – COMPENSATED ABSENCES .....	21
NOTE 8 – LONG – TERM OBLIGATIONS .....	21
NOTE 9 – RETIREMENT SYSTEM .....	21
NOTE 10 – INTERPROGRAM TRANSFERS .....	22
NOTE 11 – COMMITMENTS AND CONTINGENCIES .....	22
NOTE 12 – ECONOMIC DEPENDENCE .....	22



HOUSING AUTHORITY OF OAKDALE  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2008

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** The accompanying financial statements of the Housing Authority of Oakdale have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

**A. REPORTING ENTITY** Housing Authorities are chartered as public corporations under the laws (LSA – R.S. 40.391) of the state of Louisiana for the purpose of providing safe and sanitary dwellings accommodations. This creation was contingent upon the local governing body of the city or parish declaring a need for the Housing Authority to function in such city or parish. The Housing Authority is governed by a five member Board of Commissioners. The members, appointed by the Honorable Mayor of Oakdale, serve staggered multi-year terms.

The Housing Authority has the following units:

PHA Owned Housing	FW 719	156
Section 8		
Housing Choice Vouchers	LA-033VO	120

GASB Statement 14 establishes criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the Housing Authority is considered a primary government, since it is a special purpose government that has a separate governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement 14, fiscally independent means that the Housing Authority may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue bonded debt with HUD approval.

The Housing Authority is a related organization of the City of Oakdale since the City of Oakdale appoints a voting majority of the Housing Authority's governing board. The City of Oakdale is not financially accountable for the Housing Authority as it cannot impose its will on the Housing Authority and there is no potential for the Housing Authority to provide financial benefit to, or impose financial burdens on, the City of Oakdale. Accordingly, the Housing Authority is not a component unit of the financial reporting entity of the City of Oakdale.

Governmental Accounting Standards Board (GASB) Codification Section 2100 establishes criteria for determining which, if any, component units should be considered part of the Housing Authority for financial reporting purposes. The basic criteria for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability, which includes:

HOUSING AUTHORITY OF OAKDALE  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2008

- 1) *Appointing a voting majority of an organization's governing body, and:*
  - a) *The ability of the government to impose its will on that organization and/or*
  - b) *The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the government.*
- 2) *Organizations for which the government does not appoint a voting majority but are fiscally dependent on the government.*
- 3) *Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.*

Based on the previous criteria, the Housing Authority has determined that there are no component units that should be considered as part of the Housing Authority reporting entity.

**B. FUNDS** The accounts of the Housing Authority are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

The transactions of the Housing Authority are reported in a proprietary enterprise fund. The general fund accounts for the transactions of the public housing Low Rent program and the Capital Fund program. The housing choice voucher fund accounts for the Section 8 Housing Choice Voucher program.

### **C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

**PROPRIETARY FUNDS** Proprietary funds are accounted for on the flow of economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. The Housing Authority has elected, pursuant to GASB Statement No. 20, to apply all GASB pronouncements and only FASB pronouncements issued before November 30, 1989.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary funds' principal ongoing operations. The principal operating revenues of the Housing Authority are rent and maintenance charges to residents and administration fees earned. Operating expenses for proprietary funds include the administrative costs of providing the service and the housing assistance payments to landlords. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

HOUSING AUTHORITY OF OAKDALE  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2008

**D. CASH AND CASH EQUIVALENTS** Cash includes amounts in demand deposits and interest-bearing demand deposits. Cash equivalents include amounts in time deposits, of less than ninety days, and cash with fiscal agent. Under state law, the Housing Authority may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

**E. INVESTMENTS** Investments are limited to L.S.-R.S. 33:2955 and the Housing Authority investment policy. If the original maturities of investments exceed 90 days, they are classified as investments; however, if the original maturities are 90 days or less, they are classified as cash equivalents.

The investments are reflected at quoted market prices except for the following which are required/permitted as per GASB Statement No. 31:

Investments in nonparticipating interest-earning contracts, such as nonnegotiable certificates of deposit with redemption terms that do not consider market rates, are reported using a cost-based measure.

The Housing Authority reported at amortized cost money market investments participating interest-earning investment contracts that have a remaining maturity at time of purchase of one year or less.

**Definitions:**

Interest-earning investment contract include time deposits with financial institutions (such as certificates of deposit), repurchase agreements, and guaranteed investment contracts.

Money market investments are short-term, highly liquid debt instruments that include U.S. Treasury obligations.

**F. SHORT – TERM INTERFUND RECEIVABLES/PAYABLES** During the course of operations, numerous transactions occur between individual funds for services rendered. These receivables and payables are classified as due from other funds or due to other funds on the balance sheet. Short-term interfund loans are classified as interfund receivables/payables.

**G. INVENTORY** All purchased inventory items are valued at cost using the first-in, first-out method. Acquisitions of materials and supplies are accounted for on the consumption method, that is, the expenses are charged when the items are consumed.

**H. PREPAID ITEMS** Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

HOUSING AUTHORITY OF OAKDALE  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2008

**I. CAPITAL ASSETS** Capital assets are recorded at historical cost and depreciated over their estimated useful lives (excluding salvage value). The capitalization threshold is \$500. Donated capital assets are recorded at their estimated fair value at the date of donation. Estimated useful live is management's estimate of how long the asset is expected to meet service demands. Straight line depreciation is used based on the following estimated useful lives:

Site improvements	15 years
Buildings	33 years
Building improvements	15 years
Furniture and equipment	5-7 years
Computers	3 years

**J. DEFERRED REVENUES** The Housing Authority reports deferred revenues on its balance sheet. Deferred revenues arise when resources are received by the Housing Authority before it has a legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when the Housing Authority has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and the revenue is recognized.

**K. COMPENSATED ABSENCES** The Housing Authority follows Louisiana Civil Service regulations for accumulated annual and sick leave, for classified employees. Those employees may accumulate up to three hundred hours of annual leave which may be received upon termination or retirement. Sick leave hours accumulate, but the employee is not paid for them if not used by his/her retirement or termination date. Unclassified employees earn and accrue related hours in accordance with approved board policy.

**L. RESTRICTED NET ASSETS** Net assets are reported as restricted when constraints placed on net asset use are either:

Externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Restricted resources are used first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**M. INTERFUND ACTIVITY** Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate. Services provided, deemed to be at market or near market rates, are treated as revenues and expenses.

Reimbursements are when one fund incurs cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers.

HOUSING AUTHORITY OF OAKDALE  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2008

**N. USE OF ESTIMATES** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses and other financing sources and uses during the reporting period. Actual results could differ from those estimates.

**NOTE 2 – DEPOSITS AND INVESTMENTS** The Housing Authority has reported their investments with a maturity at time of purchase of one year or less at amortized cost. Investments with maturity at time of purchase of greater than one year are presented at fair value at September 30, 2008. Deposits are stated at cost, which approximates fair value.

**Interest Rate Risk:** The Housing Authority's policy does not address interest rate risk.

**Credit Rate Risk:** GASB 40 disclosure of credit rate risk does not apply, since the Authority's only investments are certificates of deposit.

**Custodial Credit Risk:** The Authority's policy requires the financial institution to cover the first \$100,000 of deposits with FDIC coverage. Any excess deposits must be collateralized with securities held by the pledging financial institution, with a fair market value that equals or exceeds the amount of excess deposits.

At September 30, 2008, the Housing Authority's carrying amount of deposits was \$248,234 and the bank balance was \$274,495, which includes \$142,964 in certificates of deposits classified as investments. Of the bank balance, \$74,495 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent but not in the Housing Authority's name.

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 40, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within ten days of being notified by the Housing Authority that the fiscal agent has failed to pay deposited funds upon demand. Investments during the year were solely in time deposits at banks.

**NOTE 3 – ACCOUNTS RECEIVABLE** The receivables at September 30, 2008, are as follows:

	General	Housing Choice Voucher	Total
<u>Class of Receivables</u>			
Local sources:			
Tenants	\$ 1,525	\$ 0	\$ 1,525
Other	0	397	397
Federal sources:			
Grants	69,208	0	69,208
Total	<u>\$ 70,733</u>	<u>\$ 397</u>	<u>\$ 71,130</u>

The tenants account receivable is net of an allowance for doubtful accounts of \$1,969.

HOUSING AUTHORITY OF OAKDALE  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2008

**NOTE 4 – CAPITAL ASSETS** The changes in capital assets are as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Non-depreciable assets				
Land and buildings	\$ 181,400	\$ 0	\$ 0	\$ 181,400
Construction in progress	3,900	144,304	0	148,204
Depreciable assets:				
Exhaustible capital assets				
Buildings	7,004,070	71,702	0	7,075,772
Furniture and equipment	268,171	44,346	6,298	306,219
Total	7,457,542	260,351	6,298	7,711,595
Less: accumulated depreciation				
Buildings	4,992,764	152,080	0	5,144,844
Furniture and equipment	208,185	26,853	6,298	228,740
Total	5,200,949	178,934	6,298	5,373,584
Capital assets, net	\$ 2,256,592	\$ 81,418	\$ 0	\$ 2,338,010

**NOTE 5 – INTERFUND RECEIVABLES / PAYABLES** Interfund receivables / payables at September 30, 2008 are as follows:

The Housing Choice Voucher Fund owes the General Fund \$12,663. This is for various expenses paid by the General Fund, but not reimbursed at year-end.

**NOTE 6 – ACCOUNTS PAYABLE** The payables at September 30, 2008 are as follows:

	General	Housing Choice Voucher Fund	Total
Vendors	\$ 5,599	\$ 270	\$ 5,869
Payroll taxes & Retirement withheld	660	0	660
Other	614	0	614
Total	\$ 6,873	\$ 270	\$ 7,143

HOUSING AUTHORITY OF OAKDALE  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2008

**NOTE 7 – COMPENSATED ABSENCES** At September 30, 2008, employees of the Housing Authority have accumulated and vested \$27,308 of employee leave computed in accordance with GASB, Codification Section C60.

**NOTE 8 – LONG – TERM OBLIGATIONS** The following is a summary of the long – term obligation transactions for the year ended September 30, 2008.

	Compensated Absences
Balance, beginning	\$ 22,097
Additions	31,156
Deductions	(25,945)
Balance, ending	27,308
Amounts due in one year	\$ 5,123

**NOTE 9 – RETIREMENT SYSTEM** The Housing Authority participates in the Housing Renewal and Local Agency Retirement Plan, which is a defined contribution plan. The plan consists of employees of various local and regional housing authorities, urban renewal agencies, and other similar organizations. Through this plan, the Housing Authority provides pension benefits for all of its full-time employees. All full-time employees are eligible to participate in the plan on the first day of the month after completing one month of continuous and uninterrupted employment.

Under a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The employer is required to make monthly contributions equal to 14% of each participant's effective compensation. The employee does not contribute.

The Housing Authority's contribution for each employee and income allocated to the employee's account is fully vested after five years of continuous service. The Housing Authority's contributions and interest forfeited by employees who leave employment before five years of service are used to offset future contributions of the Housing Authority.

The Housing Authority has the right to establish or amend retirement plan provisions. The Housing Authority's Joinder Agreement with the Housing Renewal and Local Agency Retirement Plan may be amended or modified by Board Resolution. Amendment of the Joinder Agreement is limited to provisions affecting plan specifications.

The Housing Authority made the required contributions of \$21,204 for the year ended September 30, 2008, of which \$21,204 was paid by the Housing Authority.

HOUSING AUTHORITY OF OAKDALE  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2008

**NOTE 10 – INTERPROGRAM TRANSFERS** Interprogram transfers for the year September 30, 2008 consists of the following:

The Capital Fund grant provisions allowed the PHA to transfer \$400,289 to the Low Rent program of net capital costs on closed programs.

**NOTE 11 – COMMITMENTS AND CONTINGENCIES**

**Litigation** The Housing Authority is not presently involved in litigation.

**Grant Disallowances** The Housing Authority participates in a number of federally assisted grant programs. The programs are subject to compliance audits under the single audit approach. Such audits could lead to requests for reimbursement by the grantor agency for expenditures disallowed under terms of the grants. Housing Authority management believes that the amount of disallowance, if any, which may arise from future audits will not be material.

**Construction Projects** There are certain renovation or construction projects in progress at September 30, 2008. These include modernizing rental units. These projects are being funded by HUD. Funds are requested periodically as the cost is incurred.

**Risk Management** The Housing Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Housing Authority carries commercial insurance.

The Housing Authority transfers risk of loss by participating in a public entity risk pool and contracting with a commercial insurance carrier for all major categories of exposed risk.

This includes coverage of property, general liability, public liability, and worker's compensation. The risk pool and insurance contracted are obligated to meet settlements up to the maximum coverage, after the PHA's premiums and deductions are met.

Louisiana State law prohibits one governmental entity assessing another entity. If the Louisiana Housing Council Group Self Insured Fund (LHC) risk pool is unable to meet its obligations, the risk to the Housing Authority is only that its own claim would be unpaid.

Coverage has not significantly changed from the previous year and settlements for each of the past three years have not exceeded insurance coverage.

**NOTE 12 – ECONOMIC DEPENDENCE** The Department of Housing and Urban Development provided \$883,961 to the Housing Authority, which represents approximately 72% of the Housing Authority's total revenue and capital contributions for the year.



**MIKE ESTES, P.C.**  
A PROFESSIONAL ACCOUNTING CORPORATION  
4200 AIRPORT FREEWAY – SUITE 100  
FORT WORTH, TEXAS 76117

MEMBER OF THE  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC  
ACCOUNTANTS  
and the  
AICPA GOVERNMENTAL  
AUDIT QUALITY CENTER

MIKE ESTES, CPA

(817) 831-3553  
METRO (817) 654-4063  
(817) 831-3560  
e-mail: mestespc@swbell.net

Report on Internal Control Over Financial Reporting and on Compliance and  
Other Matters Based on an Audit of Financial Statements Performed in  
Accordance with *Government Auditing Standards*

To the Housing Authority of Oakdale  
Oakdale, Louisiana

We have audited the basic financial statements of the Housing Authority of Oakdale, Louisiana, as of and for the year ended September 30, 2008, and have issued our report thereon dated June 24, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Housing Authority of Oakdale, Louisiana's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Housing Authority of Oakdale, Louisiana's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Housing Authority of Oakdale, Louisiana's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Housing Authority of Oakdale, Louisiana's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Housing Authority of Oakdale, Louisiana's financial statements that is more than inconsequential will not be prevented or detected by the Housing Authority of Oakdale, Louisiana's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs as Audit Finding 08-01 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Housing Authority of Oakdale, Louisiana's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above as Audit Finding 08-01 is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Housing Authority of Oakdale, Louisiana's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*, and which is described in the accompanying schedule of findings as Audit Finding 08-01.

The Housing Authority of Oakdale, Louisiana's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Housing Authority of Oakdale, Louisiana's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Commissioners, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Mike Estes, P.C.  
Fort Worth, Texas  
June 24, 2009

**MIKE ESTES, P.C.**  
A PROFESSIONAL ACCOUNTING CORPORATION  
4200 AIRPORT FREEWAY - SUITE 100  
FORT WORTH, LOUISIANA 76117

---

(817) 831-3553  
METRO (817) 654-4063  
(817) 831-3560  
e-mail: mestespc@swbell.net

MEMBER OF THE  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC  
ACCOUNTANTS  
and the  
AICPA GOVERNMENTAL  
AUDIT QUALITY CENTER

MIKE ESTES, CPA

Report on Compliance with Requirements Applicable to Each  
Major Program and Internal Control Over Compliance in  
Accordance with OMB Circular A-133

Housing Authority of Oakdale  
Oakdale, Louisiana

**Compliance**

We have audited the compliance of the Housing Authority of Oakdale, Louisiana with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2008. The Housing Authority of Oakdale, Louisiana's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Housing Authority of Oakdale, Louisiana's management. Our responsibility is to express an opinion on the Housing Authority of Oakdale, Louisiana's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Housing Authority of Oakdale, Louisiana's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Housing Authority of Oakdale, Louisiana's compliance with those requirements.

In our opinion, the Housing Authority of Oakdale, Louisiana complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2008.

### **Internal Control Over Compliance**

The management of the Housing Authority of Oakdale, Louisiana is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Housing Authority of Oakdale, Louisiana's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Housing Authority of Oakdale, Louisiana's internal control over compliance.

*A control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. *A significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Commissioners, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Mike Estes, P.C.  
Fort Worth, Texas  
June 24, 2009

HOUSING AUTHORITY OF OAKDALE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED SEPTEMBER 30, 2008

**Section I – Summary of the Auditor’s Results**

**Financial Statement Audit**

- i. The type of audit report issued was unqualified.
- ii. There was one significant deficiency required to be disclosed by *Government Auditing Standards* issued by the Comptroller General of the United States.
- iii. There were no instances of noncompliance considered material, as defined by the *Government Auditing Standards* to the financial statements.

**Audit of Federal Awards**

- iv. There were no significant deficiencies required to be disclosed by OMB Circular No. A-133.
- v. The type of report the auditor issued on compliance for major programs was unqualified.
- vi. The audit disclosed one audit finding which the auditor is required to report under OMB Circular No. A-133, Section .510(a).
- vii. The major federal programs are:
  - CFDA# 14.871                      Section 8 Housing Choice Vouchers
- viii. The dollar threshold used to distinguish between Type A and Type B programs as described in OMB Circular No. A-133, Section .520(b) was 300,000.
- ix. The auditee qualifies as a low-risk auditee under OMB Circular No. A-133, Section .530.

HOUSING AUTHORITY OF OAKDALE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED SEPTEMBER 30, 2008

**Section II – Findings related to the financial statements which are required to be reported in accordance with Governmental Auditing Standards generally accepted in the United States of America:**

Low Rent

08-01 – Lack of Adequate Control Check of Financial Statements

Statement of Condition

A significant audit adjustment was necessary that was not brought to our attention by management. This was to adjust prepaid insurance and insurance expense. The PHA did not perform a supervisory review, to an adequate extent, to detect the material misstatement, before the unaudited financial statements were released.

This is considered a significant deficiency in financial statement reporting.

Criteria

The July 2007 Revision (and earlier versions) of Government Auditing Standards state that generally accepted government auditing standards incorporate AICPA auditing standards.

Under Statement on Auditing Standards (SAS) #112, effective for the years 12/31/06 and after, material audit adjustments must be evaluated as a weakness in the internal control over reporting. Section .08 of SAS #112 states that misstatements that exceed 20% of overall financial statement materiality are considered evidence of a significant deficiency, and a probable material weakness. The above adjustment exceeds 20%.

Effect

Audit adjustments that exceed 20% of overall financial statement materiality were necessary.

Cause

The review procedure use by the fee accountant needs to be improved.

Questioned Cost

None

HOUSING AUTHORITY OF OAKDALE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED SEPTEMBER 30, 2008

**Section II – Findings related to the financial statements which are required to be reported in accordance with Governmental Auditing Standards generally accepted in the United States of America:**

Recommendation

The error has been discussed with the accountant. The supervisory review procedures should be reviewed, and revised if necessary.

08-01 Corrective Action Plan

I am Tina Johnson, Executive Director and Designated Person to answer this finding. We believe we have an excellent fee accountant. But, we have discussed the situation with them. They assure us they will perform an adequate review in the future.

HOUSING AUTHORITY OF OAKDALE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED SEPTEMBER 30, 2008

**Section III – Findings and questioned costs for federal awards which are required to be reported under OMB Circular No. A-133 Section .510 (a):**

None. The audit adjustment that created an Audit Finding in Section II applies to a non-major program.



HOUSING AUTHORITY OF OAKDALE  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED SEPTEMBER 30, 2008

**The following prior audit findings were required to be reported under OMB  
Circular No. A-133, Section 510(a) (for the major program) for the prior year:**

None

HOUSING AUTHORITY OF OAKDALE  
SCHEDULE OF MANAGEMENT LETTER ITEMS

YEAR ENDED SEPTEMBER 30, 2008

To Management and the Board of Commissioners:

In planning and performing our audit of the financial statements of the Housing Authority of Oakdale for the year ended September 30, 2008, we considered the Authority's internal controls in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal controls.

However, during our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum contained in this letter summarizes our comments and suggestions regarding those matters. (We have also reported on the Authority's internal control in our report dated June 24, 2009.) This letter does not affect our report dated June 24, 2009 on the financial statements of the Housing Authority of Oakdale.

The status of these comments will be reviewed during the next audit engagement. We have already discussed these comments and suggestions with various authority personnel, and we will be pleased to discuss them in further detail at your convenience, to perform additional study of these matters, or to assist you in implementing the recommendations.

Our recommendations are as follows:

08 – MI – Post Employment Benefit In July 2001, the Board approved paying the total medical insurance premiums for employees who retired with 20 or more years of service, and who had also reached the age of 62.

The Authority is currently paying the medical insurance for one retired employee. We recommend that the Authority withdraw this benefit for any employees that meet this criteria in the future.

We recommend this for two reasons. First, this may be an undue burden on future Authority operations that may have increasingly scarce resources.

HOUSING AUTHORITY OF OAKDALE  
SCHEDULE OF MANAGEMENT LETTER ITEMS

YEAR ENDED SEPTEMBER 30, 2008

Secondly, since this board-approved benefit was approved in 2001, accounting rules have changed. The current government accounting rule GASBS #45 requires that an estimate be made of the potential future liability, and that a portion of this liability be accrued.

To date, this estimate has not been material. In a year or two, it may be. The Authority will then be required, if the benefit is still in effect, to calculate a potential future liability, which is time consuming, expensive, and preferably be done by an actuary. A portion of this liability will have to be accrued, which will adversely impact the Authority's balance sheet.

HOUSING AUTHORITY OF OAKDALE  
SCHEDULE OF MANAGEMENT LETTER ITEMS

YEAR ENDED SEPTEMBER 30, 2008

08 – M2 - Reporting

The Uniform Financial Reporting Standards for HUD Housing Programs (24 CFR Part 5 Subpart H) require all PHAs to submit financial information electronically on a financial data schedule (FDS), to HUD on a schedule which is based on the reporting entity's fiscal year end. The rule states that:

- PHAs must submit their data electronically.
- Annual information to be reported to HUD must be prepared in accordance with Generally Accepted Accounting Principles (GAAP).
- The submission date for the unaudited statements would be no later than two months after the end of PHA's fiscal year.

However, in the spring of 2008, HUD-REAC announced that beginning with June 30, 2008 year end submittals, that the FDS would be reconfigured. This new FDS would not be available until October 27, 2008. Since then, the availability of the FDS has been postponed multiple times, by HUD-REAC. Eventually, the FDS was not available until after December 31, 2008.

The books are not finally closed until the FDS is submitted and accepted by HUD-REAC. Until then, the Authority may book accounting adjustments to correct differences noted by REAC's review.

The required attestation engagement performed by a CPA cannot be completed until the unaudited FDS is approved by HUD-REAC, and the books are formally closed.

Louisiana Revised Statutes 24:513 and 24:514 require attestation reports prepared by a CPA be submitted to the Louisiana Legislative Auditor no later than six months after fiscal year end.

On January 16, 2009, the Legislative Auditor approved an extension request through June 30, 2009, subject to confirmation by the Legislative Advisory Council.

The Authority is reminded that in the future years, audit reports will again be due no later than six months after fiscal year end.

08 MI – M2 – Corrective Action Plan - Response

I am Tina Johnson. We will consider withdrawing the post-employment benefit soon, at a board meeting. I understand that our next audit report will be due by March 31, 2010.

## SUPPLEMENTARY INFORMATION

HOUSING AUTHORITY OF OAKDALE  
STATEMENT OF MODERNIZATION COSTS - UNCOMPLETED

YEAR ENDED SEPTEMBER 30, 2008

CASH BASIS

	2007 Capital Fund	2008 Capital Fund
Funds approved	\$ 221,579	\$ 216,934
Funds expended	<u>215,733</u>	<u>300</u>
Excess of funds approved	<u>\$ 5,846</u>	<u>\$ 216,634</u>
Funds advanced	\$ 215,858	\$ 0
Funds expended	<u>215,733</u>	<u>300</u>
Excess(deficiency) of funds advanced	<u>\$ 125</u>	<u>\$ (300)</u>

See accountants' report

HOUSING AUTHORITY OF OAKDALE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED SEPTEMBER 30, 2008

FEDERAL GRANTOR PROGRAM TITLE	<u>CDFA NO.</u>	<u>PROGRAM EXPENDITURES</u>
U. S. Department of Housing and Urban Development Direct Programs:		
Low-Income Housing Operating Subsidy	14.850a	294,322
Housing Choice Voucher	14.871	392,701
Public Housing Capital Fund	14.872	<u>196,938</u>
Total United States Department of Housing and Urban Development	\$	<u>883,961</u>
Total Expenditures of Federal Awards	\$	<u>883,961</u>

**HOUSING AUTHORITY OF OAKDALE**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**YEAR ENDED SEPTEMBER 30, 2008**

**NOTE 1 – GENERAL** The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of the Housing Authority of Oakdale, Louisiana (the "Housing Authority"). The Housing Authority reporting entity is defined in note 1(A) to the Housing Authority's basic financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on the schedule.

**NOTE 2 – BASIS OF ACCOUNTING** The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in note 1(C) to the Housing Authority's basic financial statements.

**NOTE 3 - RELATIONSHIP TO BASIC FINANCIAL STATEMENTS** Federal awards revenues are reported in the Housing Authority's basic financial statements as follows:

		<u>Federal Sources</u>
General	\$	491,260
Section 8 Housing Choice Vouchers		<u>392,701</u>
Total	\$	<u>883,961</u>

**NOTE 4 – RELATIONSHIP TO FEDERAL FINANCIAL REPORTS** Amounts reported in the accompanying schedule agree with the amounts reported in the related federal financial reports except for changes made to reflect amounts in accordance with generally accepted accounting principles.